

Message Text

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ACTION TRSE-00

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TAGS: AFIN, TS

SUBJ: US-OWNED DINARS AND TAX TREATY

REF: STATE 189282, STATE 196173

SUMMARY. GOT SENDING TECHNICAL DELEGATION TO WASHINGTON TO DISCUSS TAXATION TREATY SEPT 1-5. SOME UNCERTAINTY AS TO NEXT STEP IN REGARD TO GOT REQUEST FOR TRANSFER OF SOME US-OWNED DINARS INTO LONG-TERM DEPOSITS TO SUPPORT ECONOMIC DEVELOPMENT. AMB HEDDA HOPES ONE OR TWO WORKING LEVEL OFFICIALS WILL GO TO WASHINGTON FOR TECHNICAL DISCUSSIONS LEADING TO ANNOUNCEMENT OF ARRANGEMENTS BY JOINT COMMISSION MEETING IN OCTOBER. EMBASSY CONTINUING WITH EXISTING ACCOMMODATION EXCHANGE ARRANGEMENTS UNTIL GOT COMES UP WITH ALTERNATIVE SUGGESTIONS ACCEPTABLE TO USG. ACTION REQUESTED: IN ADDITIONHBO TECHNICAL DISCUSSIONS OF TAXATION TREATY, EMBASSY SUGGESTS THAT APPROPRIATE US AGENCIES TAKE OCCASION OF PRESENCE IN WASHINGTON OF SENIOR TUNISIAN OFFICIALS IN FINANCIAL AFFAIRS TO EXPRESS GENERAL US VIEWS ON USE OF US-OWNED DINAR DEPOSITS FOR DEVELOPMENT PURPOSES AND AUTHORITY OF EMBASSY TO CONTINUE TO RENDER ACCOMMODATION ARRANGEMENTS FOR ALL US OFFICIALS. END SUMMARY.

1. OFFICIAL OF MINISTRY OF FOREIGN AFFAIRS (MOFA) HAS JUST CONFIRMED THAT MINISTRY OF FINANCE SENDING TECHNICAL DELEGATION TO WASHINGTON TO DISCUSS TAXATION TREATY SEPT 1-5. DELEGATION WILL BE HEADED BY LIMITED OFFICIAL USE

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TAOUFIK KALAI, DIRECTOR OFFICE OF TAXATION, AND INCLUDES HASSEN

DACHRAOUI AND TAOUIK GOABICHE, BOTH DEPUTY DIRECTORS OF THE SAME OFFICE, AND MAHAMED HADJ MANSOUR, SECTION CHIEF. MANSOUR APPARENTLY ONLY ONE WHO SPEAKS ENGLISH AND IS CONSIDERED SPECIALIST IN US TAXATION. DELEGATION ONLY AUTHORIZED TO DISCUSS PROPOSED TAX TREATY USING BOTH GOT AND USG DRAFTS AS BASE OF DISCUSSION. GOT DOES NOT INTEND HAVE ITS DELEGATION TO IMF/IBRD MEETINGS GET INVOLVED IN MATTER AT THIS EARLY STAGE ALTHOUGH GENERAL DISCUSSION WOULD BE POSSIBLE. MOFA OFFICIAL NOTED TUNISIAN EMBASSY WASHINGTON HAS OBTAINED USG CONCURRENCE FOR THESE DISCUSSIONS AS REPORTED STATE 196173.

2. GOT HAS APPARENTLY DECIDED NOT TO SEND EXPERTS AT THIS TIME TO DISCUSS POSSIBLE ARRANGEMENTS TO DEPOSIT LARGE PORTION OF US-OWNED DINARS INTO LONG-TERM DEPOSITS TO SUPPORT DEVELOPMENT LENDING. SECRETARY GENERAL OF MIN FINANCE SFAR WOULD PREFER TO HAVE FURTHER TECHNICAL DISCUSSIONS ON DEPOSIT QUESTION HELD IN TUNIS WHILE, ON OTHER HAND, SOME OFFICIALS PREFER TO HAVE AMB HEDDA PURSUE MATTER IN WASHINGTON. IN COL ON AMBASSADOR AUG 18, HEDDA SAID HE HOPED GOT COULD SEND ONE OR TWO EXPERTS TO WASHINGTON SOME TIME IN SEPTEMBER TO HELP RESOLVE TECHNICAL PROBLEMS SO THAT ARRANGEMENTS ON LONG-TERM DEPOSITS COULD BE ANNOUNCED AT OCTOBER JOINT COMMISSION MEETING. WE SUGGEST IT WOULD ALSO BE DESIRABLE FOR APPROPRIATE USG OFFICIALS TO REVIEW USG POSITION ON US-OWNED DINARS WITH SENIOR TUNISIANS IN FINANCIAL/ECONOMIC AFFAIRS WHO ARE ATTENDING IMF/IBRD MEETINGS AND INCREASE THEIR UNDERSTANDING OF PRACTICAL LIMITATIONS ON OUR DESIRE TO BE FORTHCOMING ON LONG-TERM DEPOSITS.

3. REGARDING PARA 3 STATE 189282, EMBASSY CONTINUING SELL US-OWNED DINARS IN ACCORDANCE ESTABLISHED PROCEDURES TO ALL VISITING OFFICIALS AND SERVICEMEN. MOFA HAD PROMISED TO ARRANGE DISCUSSIONS ON SUBJECT AS SOON AS GOT HAD OBTAINED COPIES OF DOCUMENTS SUPPORTING ITS OPPOSITION TO SALE BY EMBASSY OF US-OWNED DINARS FOR FOREX (TUNIS 1942), BUT HAS NEVER CONVOKED THESE MEETINGS. VARIOUS OFFICIALS (INCLUDING HEDDA), HOWEVER, STILL INDICATING THAT EMBASSY ACTION CONTRARY TO TUNISIAN LAW, AND WE BELIEVE DESIRABLE AT SOME POINT TO RESOLVE MATTER IN ORDER PRECLUDE POSSIBLE PRECIPITOUS ACTION BY LOW-LEVEL TUNISIAN OFFICIALS. FOR EXAMPLE, MOHAMED BOUAOUAJA, WHO WAS PRESENT DURING MEETING IN APRIL BETWEEN DIRECTOR GENERAL OF CENTRAL BANK BOUSBIA AND US OFFICIALS AND WHO WILL ATTEND UPCOMING IMF-IBRD MEETINGS, EXPRESSED SURPRISE THAT EMBASSY CONTINUING LIMITED OFFICIAL USE

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MAKE ACCOMMODATION EXCHANGE FOR VISITING OFFICIAL AMERICANS. HE, LIKE BOUSBIA, LEFT WASHINGTON IN APRIL WITH UNDERSTANDING THAT AUTHORIZED USG OFFICIAL HAD AGREED THAT EMBASSY TUNIS WOULD HENCEFORTH ONLY RPT ONLY MAKE AVAILABLE DINARS TO VISITING OFFICIALS OR SERVICEMEN AS ADVANCE AGAINST TRAVEL ORDERS OR AS PART PAYMENT OF SALARY AND WOULD NO LONGER ENGAGE IN FOREIGN EXCHANGE OPERATIONS EXCEPT FOR RESIDENT US OFFICIALS (PARA 4, TUNIS 3741). SINCE SUCH PROCEDURES COULD SERIOUSLY LIMIT EMBASSY ACCOMMODATION EXCHANGE PRO-

CEDURES, EMBASSY HAS STRESSED THAT THERE MUST BE MISUNDERSTANDING AND EMPHASIZED ITS RIGHTS AS STATED STATE 70136. IN ORDER TO REDRESS SITUATION AND AVOID FURTHER MISUNDERSTANDING, WE SUGGEST THAT US OFFICIALS MAKE CLEAR TO TUNISIAN IMF/IBRD DELEGATION (PARTICULARLY GHENIMA AND BOUAOUAJA) OUR VIEW AS TO USG AUTHORITY TO CONTINUE TO SELL US-OWNED DINARS TO VISITING OFFICIALS, INCLUDING SERVICEMEN. PLEASE INFORM EMBASSY OF RESULTS SUCH POSSIBLE DISCUSSIONS AS WELL AS DETAILS OF APRIL MEETING WITH BOUSBIA REQUESTED TUNIS 3741.

4. REGARDING INFO ON SOURCE OF DINARS REQUESTED PARA 3 STATE 189282, EMBASSY AND AID CASHIERS OBTAIN US-OWNED DINARS TO MEET CASH NEEDS, INCLUDING ACCOMMODATION EXCHANGE, BY DINAR CHECK FROM USDO/RFC PARIS, DRAWN AGAINST USDO'S CHECKING ACCOUNT (NO. 0353204) IN SOCIETE TUNISIENNE DE BANQUE (STB). THESE US-OWNED DINARS ARE ALSO USED TO REIMBURSE CENTRAL BANK ON APPROXIMATELY WEEKLY BASIS FOR ANY CHECKS IT MAY HAVE CASHED FOR AMERICAN TOURISTS OR UNOFFICIAL RESIDENTS, I.E., CENTRAL BANK ADVANCES ITS DINARS TO PURCHASE DOLLAR INSTRUMENTS AND EMBASSY SUBSEQUENTLY DELIVERS ITS OWN DINARS TO CENTRAL BANK TO COVER ADVANCE. US-OWNED DINARS ARE ORIGINALLY GENERATED WHEN GOT DEPOSITS LOAN REPAYMENTS TO USG TO SPECIAL CLEARING ACCOUNT AT CENTRAL BANK FROM WHICH THEY ARE TRANSFERRED TO USDO/STB CHECKING ACCOUNT. USDO ACCOUNT AT STB IS ALSO OCCASIONALLY REPLENISHED IF NEEDED BY TRANSFER OF FUNDS FROM TIME DEPOSIT ACCOUNTS IN COMMERCIAL BANKS OR, ALTERNATIVELY, SURPLUS FUNDS ARE PLACED IN TIME DEPOSITS, AS INSTRUCTED BY USDO/PARIS.

5. SINCE RECOMMENDED DISCUSSIONS OF DINAR QUESTIONS DURING IMF/IBRD WILL BE IN GENERAL TERMS, WE SUGGEST PRESENCE EMBASSY REP NOT NEEDED UNTIL (AND IF) TECHNICAL DISCUSSIONS NOTED BY AMB HEDDA TAKE PLACE LATER IN SEPTEMBER. EMBASSY PROPOSES THAT ECON COUNSELOR LOGAN BE PRESENT FOR THESE MEETINGS, AT WHICH TIME WE LIMITED OFFICIAL USE

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WILL ALSO HAVE BETTER IDEA OF TUNISIAN VIEWS ON JOINT COMMISSION MEETING.
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